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# You Need Sewers in Your Community

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Water Protection Program fact sheet

7/2006

Your community may need a central sewer system if on-site wastewater systems are failing, soils in your community are not suitable for drainfields and homes and businesses are close enough and numerous enough to make a central system economically feasible.

## What are your options to solve sewage problems?

1. Property owners can repair or replace on-site wastewater systems. Sometimes this is possible, but space can be limiting and systems can be costly.
2. Your community can establish the organizational, management and financing structure to plan and build a community sewer system. Organizational structures that can provide sewer service include
  - Cities, towns or villages
  - Sewer districts
  - Water districts
  - Electric cooperatives
  - For-profit sewer companies
  - Non-profit sewer companies
  - Home owner associations
  - Neighborhood improvement district (for funding only - no management functions)

Be aware that how you organize can affect options for funding your project.

## How do you get started?

Find a project leader and designate a team. If your leader and team are energetic and good at informing people about the benefits and costs of the system, be prepared to work for several years to get the project completed all the way through construction. If they are not energetic and good leaders, the project probably will not materialize.

Assemble consultants to help you plan, organize, design and finance your sewer project. Such consultants can come from the Department of Natural Resources' Community Assistance Office and Regional Offices, the Midwest Assistance Program, [www.map-inc.org](http://www.map-inc.org), your regional planning commission or council, funding agencies, consulting engineers, legal counsel, professionals from the community and others.

3. Access wastewater infrastructure planning resources.

- The EPA book *Environmental Planning for Small Communities* (publication number EPA/625/R-94/009) can be ordered online at [www.epa.gov/ncepihom/ordering.htm](http://www.epa.gov/ncepihom/ordering.htm) or by phone 1-800-490-9198 or it can be viewed on line at [www.epa.gov/ORD/NRMRL/Pubs/1994/smallcom/625R94009.pdf](http://www.epa.gov/ORD/NRMRL/Pubs/1994/smallcom/625R94009.pdf) or at [www.gdrc.org/decision/smallcom.pdf](http://www.gdrc.org/decision/smallcom.pdf)
- *The Self-Help Handbook for Small Town Water and Wastewater Projects*, published by the Rensselaerville Institute, can be purchased online at [www.rinstitute.org/shopping/index.php](http://www.rinstitute.org/shopping/index.php) for \$21.95 in 2006.
- The software program *Environmental Planning for Small Communities (TRILOGY)* can be downloaded on the Web at [www.epa.gov/seahome/trilogy](http://www.epa.gov/seahome/trilogy)
- The Local Government Environmental Assistance Network on the Web at [www.lgean.org](http://www.lgean.org)

4. Inform yourselves about sewer system alternatives and how system designers and other communities have addressed the problems you now face. You can do this by gathering information, subscribing to free newsletters and the like

National Small Flows Clearinghouse  
West Virginia University/NRCCE  
P. O. Box 6064  
Morgantown, WV 26506-6064  
1-800-624-8301, [www.nesc.wvu.edu](http://www.nesc.wvu.edu)

5. Do initial organizational and project planning, make cost estimates and scout for grant and loan opportunities.
6. Through public meetings and information efforts, find out if the community really wants the sewers at the projected costs. If your project may be financed or managed by a sponsor, such as the city or county in which the project is located, or the rural electric cooperative, make sure the desired sponsor is interested in sponsoring your project.
7. Use ballot or petition efforts and court actions to authorize bonds, form a sewer or special assessment district, if needed, and authorize the project.
8. Select and hire a consulting engineer and other professionals.
9. Obtain information about alternative technologies from the local government assistance unit and your consulting engineer.
10. Produce an engineering report and apply for funding.
11. Once you obtain required funding commitments, design, permit, bid and build your project according to the requirements of the funders.
12. Collect enough user charge and tax assessment money, operate your system correctly, make your payments on time and enjoy the rewards of your efforts.

## **Where can you get help?**

**Department of Economic Development Community Development Block Grants (CDBG)  
(573) 751-3600 or 1-800-523-1434.**

Generally, sewer systems are financed with infrastructure grants. CDBG has a low-to-moderate income (LMI) requirement, meaning the project must provide or retain jobs for low-to-moderate income people, or the project must directly benefit low-to-moderate income households. The annual application deadline is March 15.

These are federal funds, so you must use federal wage rates for construction. The grant limit is \$500,000.

If you can show that all or part of the project is for industrial development, you might qualify for an industrial development grant or loan. If your project is to address an emergency, such as replacing a broken sewer or water pump, you may qualify for a low interest loan from the Missouri Development Finance Board. You can apply for such loans through the CDBG Program.

**U.S.D.A. Rural Development (RD) (formerly Farmer's Home Administration)  
(573) 876-0976**

RD provides grants and loans, loan guarantees and other assistance. Applications are accepted and funded throughout the year. There are three loan interest rate levels: poverty, intermediate and market. Rates are updated quarterly based on the 20 bond buyer index. The interest rate for a loan and eligibility for a grant are dependent upon the median household income of your community and several other factors. You must use state wage rates if you are organized as a municipality. Otherwise, wage rates are not required. It is RD's policy that you serve all residences in your community; however, RD will entertain requests for variances if costs are prohibitive. Unlike CDBG and Department of Natural Resources, unincorporated communities may qualify directly for RD funding.

**Missouri Department of Natural Resources' Water Protection Program,  
Financial Assistance Center  
(573) 751-1192**

There is no low-to-moderate income requirement. The applicant must be a municipality such as a village, town, city or sewer district. The annual application deadline is November 15. Except for a few selected communities, you only need to use state wage rates, which state statutes require for all such municipal projects anyway.

- A. 40 Percent Grants cover 40 percent of the eligible cost of the project. Historically, \$3 million has been allocated statewide each year, which is usually enough for four to five projects. Individual grants are also limited to \$1 million. Eligibility is based upon environmental need, as determined by a priority points formula.
- B. Direct loans (available to match certain 40 percent grant recipients only) and State Revolving Fund (SRF) leveraged loans -Interest rates are currently subsidized by 70 percent. In early 1997, the effective rate was 1.5 percent. So far, all qualified leveraged loan applicants have received requested funds. You may finance up to 100 percent of the eligible project costs with SRF leveraged loans or 60 percent with direct loans.

**Missouri Department of Natural Resources' Community Assistance Office or Regional Offices 1-800-361-4827**

The department can provide planning, organization, financing and permitting assistance for communities

Regional Planning Commissions and Councils provide planning, grant and loan application assistance and project administration. For the commission serving your community, contact the Missouri Association of Councils of Government (MACOG) at (573) 634-5337 or visit their Web site at <http://macog.mo-acte.org>.

**The American Council of Engineering Companies of Missouri (ACEC Missouri), (573) 634-4080**

The council provides guidance in selecting an engineer and referrals to consulting engineer firms.

**Midwest Assistance Program (952) 758-4334**

The Midwest Assistance Program provides technical assistance with water and wastewater project development, system operation support and short term financing. See their Web site at [www.map-inc.org](http://www.map-inc.org) for Missouri contact information.

**Missouri Rural Water Association (573) 657-5533**

The Missouri Rural Water Association provides water and wastewater system technical assistance, training and financing options for member utilities. Visit their Web site at [www.moruralwater.org](http://www.moruralwater.org).

**What are your organizational options?**

You may organize your community and finance your project in several different ways, depending on your current organizational structure:

If your community is outside the limits of an incorporated municipality (city, town or village), you may choose to remain outside of the municipality and self-finance the project with private loans and other funds, if possible. This works best for smaller projects when you want to remain independent from the municipality and also avoid state and federal government requirements. Developers of rural subdivisions can often make this option work. These projects will need a "continuing authority" in place to deal with the operation and maintenance of the facility. You may need to form a non-profit sewer company, a for-profit sewer company or a neighborhood association for this function.

If your community is close to, but outside the limits of a municipality, you may choose to be annexed by the municipality and have the municipality build sewers and other kinds of infrastructure improvements for you. When available, this option is usually the cheapest, most effective way to build sewers and other improvements. It can also be the most expedient way for your community to manage and maintain the sewer system because the municipality does it for you.

If your community is outside the limits of any municipality, you could choose to organize as a subdistrict of a common sewer district or as a simple sewer district. Or, if a public water supply district serves your community, the water district could quickly and easily be modified to provide sewer service as well. You may also choose the option to organize as a neighborhood improvement district of your county. The common sewer district structure usually has the greatest latitude to build and finance projects cheaply and manage systems well.

You may desire to organize as one of these districts for various reasons, especially financial. In particular, the State Revolving Fund leveraged loan program is only available to applicants that are good credit risks. Organizing as one of these types of districts may enable your community to improve the credit worthiness. This may enable you to obtain low rate financing that would otherwise not be available to you. This shifts some degree of financial risk from the community to the sewer or water district or to the city or county in the case of a neighborhood improvement district. In exchange, the sewer project benefits the district, city or county through increased property values, increased tax receipts and better managed community growth. Managed well, the district, city or county should also save you money on operating expenses due to economies of scale.

Except for neighborhood improvement districts, all of these districts are legal municipalities of the state capable of entering into contracts and functioning much like a municipality or county. Each can authorize or issue debt to finance projects. Neighborhood improvement districts are also municipalities, but their sole purpose is to authorize debt. They have no management function. Voters or real property owners of the district authorize the debt, but the bonds are issued by the municipality or county in which the district lies.

Some communities, especially small ones, may choose one of the district options just to avoid building, managing and maintaining a sewer system themselves. The financing may be no cheaper, but at least the community, or its individual property owners, will not be directly responsible for permitting, staffing and managing a wastewater system. That strategy is very important because getting the system built is just the start of a long endeavor.

### **For More Information**

There are many options, and important reasons for choosing each one. To learn more about organizing and financing with such districts, contact the Department of Natural Resources. Also review the fact sheet, *Sewer Systems Organization and Financing* (PUB2007).

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Water Protection Program  
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(573) 751-9396 fax  
[www.dnr.mo.gov/env/wpp/index.html](http://www.dnr.mo.gov/env/wpp/index.html)